

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

JANUARY 14, 2002

IN RE:

PETITION OF APPALACHIAN POWER COMPANY FOR
AUTHORITY TO ISSUE AND SELL PROMISSORY NOTES
IN THE AMOUNT OF UP TO \$450,000,000 PURSUANT TO
T.C.A. SECTION 65-4-109

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) DOCKET NO.
) 01-01028
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ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the *Petition* (the "*Petition*") of Appalachian Power Company ("Appalachian") requesting authority to issue and sell, from time to time through December 31, 2002, secured or unsecured promissory notes in the aggregate principal amount of up to \$450,000,000. The Directors of the Authority considered Appalachian's *Petition* at a regularly scheduled Authority Conference held on December 18, 2001. Upon consideration of the *Petition*, the Directors made the following findings of fact and conclusions of law:

1. Appalachian is a Virginia corporation with its principal offices located in Roanoke, Virginia. Appalachian is qualified to transact business in Tennessee and maintains its principal Tennessee office in the City of Kingsport.

2. Appalachian is a public utility in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. §§ 65-4-101, *et seq.*

3. On November 28, 2001, Appalachian filed with the Authority, pursuant to Tenn. Code Ann. § 65-4-109, its *Petition* seeking approval of an issuance of up to \$450,000,000 in secured or unsecured promissory notes. The *Petition* states that these notes may be issued in the form of First Mortgage Bonds, Senior or Subordinated Debentures, including Junior Subordinated Debentures, or other unsecured promissory notes.

4. As stated in the *Petition*, Appalachian will use proceeds from the sale of the notes to redeem directly or indirectly long-term debt, to refund directly or indirectly preferred stock, to repay short-term debt at or prior to maturity, to reimburse Appalachian's treasury for expenditures incurred in connection with its construction program, and for other corporate purposes.

5. Tenn. Code Ann. § 65-4-109 directs the Authority to approve the proposed issuance of debt if it finds that such issuance is to be made in accordance with the law and the Authority approves the purpose of the issuance.

6. After careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the Authority concluded that Appalachian's *Petition* should be approved. The Authority finds that this financing is for a proper purpose and is in the public interest.

IT IS THEREFORE ORDERED THAT:

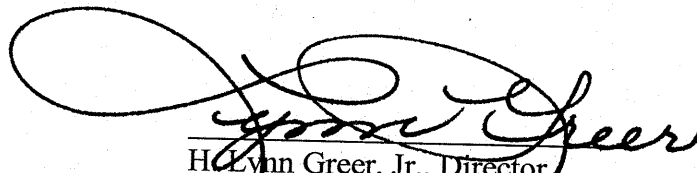
1. Appalachian Power Company is authorized to issue and sell, from time to time through December 31, 2002, secured or unsecured promissory notes in the aggregate principal amount of up to \$450,000,000;

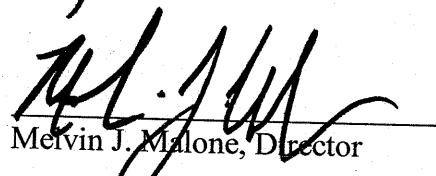
2. The terms of said issuance and sale shall be as described in the *Petition* on file with the Authority;

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Appalachian Power Company securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein; and


4. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary